

JUN 19 1996

STATE OF ARIZONA
DEPARTMENT OF INSURANCEDEPT. OF INSURANCE
BY CAB

In the Matter of:

HORACE MANN INSURANCE COMPANY
TEACHERS INSURANCE COMPANY

Respondents.

) Docket No. 96A-099

))
) CONSENT ORDER
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Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of Horace Mann Insurance Company ("Horace Mann"), NAIC #22578 and Teachers Insurance Company ("Teachers"), NAIC #22683. Horace Mann and Teachers, which are members of the Horace Mann Insurance Group, are jointly referred to as Respondents. The Report of the Examination of the Market Conduct Affairs of the Horace Mann Insurance Group alleges that Respondents have violated A.R.S. §§ 20-385, 20-443, and 20-1632.01, and A.A.C.R20-6-801.

The Respondent wishes to resolve this matter without formal adjudicative proceedings and agrees to this Consent Order.

The Director of Insurance of the State of Arizona (the "Director") enters the following Findings of Fact and Conclusions of Law, which are neither admitted nor denied by Respondent, and the following Order:

FINDINGS OF FACT

1. Respondents are authorized to transact property and casualty insurance pursuant to Certificates of Authority issued by the Director.

2. The Examiners were authorized by the Director to conduct a market conduct examination of Respondents. The on-site examination was concluded as of September 8, 1995.

1 3. The Examiners reviewed 293 personal automobile
2 policies issued by Respondents which had effective dates from
3 September 26, 1991 through April 30, 1995. Respondents issued
4 three of these policies (1%) at rates other than its filed rates
5 by using incorrect territory codes, resulting in the insureds
6 paying a total of \$252.60 less than they should have paid had
7 Respondents adhered to their filings.

8 4. The Examiners reviewed 333 personal automobile
9 cancellation and non-renewal files, with effective dates of
10 termination from August 27, 1991 through April 22, 1995. Of
11 these, Respondents non-renewed 135 policies for non-payment of
12 premium but failed to allow each insured a seven-day grace
13 period during which the policy would remain in full force
14 without penalty even if the premium had not been paid, as stated
15 in the policies. Respondents non-renewed these policies
16 retroactive to the premium due date if payment was not made by
17 the date stated in each notice of non-renewal, and allowed a
18 grace period only if payment were actually made. The notices
19 sent by Respondents did not include a notice of the insured's
20 right to complain to the Director of the actions taken by
21 Respondents.

22 8. The Examiners reviewed 146 subrogation claim files
23 that were closed from April 29, 1991 through September 23,
24 1994. Respondents failed to return the pro-rata share of the
25 deductible to two insureds (1.4%) after recovery from third
26 parties, resulting in underpayments totalling \$66.00. These
27 amounts were paid to the insureds by Respondents on or about
28 November 10, 1995.

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1 2. Within 60 days of the filed date of this Order,
2 Respondents shall submit to the Director a written action plan
3 for training and monitoring their underwriting personnel to
4 ensure that they cancel and non-renew policies for non-payment
5 of premium in compliance with A.R.S. § 20-1632.01.

6 3. Within 60 days of the filed date of this Order,
7 Respondents shall conduct a self-audit of all first and third
8 party personal automobile claims with loss dates from May 30,
9 1991 through the filed date of this Order which were denied
10 because the insured's policy was non-renewed for non-payment of
11 premium, and shall re-open those claims in which the date of
12 loss was during the seven-day grace period. Respondents shall
13 pay to these claimants the amount due on their claims, plus
14 interest at the rate of ten percent (10%) per annum calculated
15 from the date each claim was received by the insurer to the date
16 the claim was paid.

17 4. The payments specified in the above paragraph shall be
18 accompanied by a letter to each claimant acceptable to the
19 Director. A list of files, giving the name and address of each
20 claimant whose claim for loss during the seven-day grace period
21 had been denied; the name and address of each party to whom
22 payments were made; the reasons that payments are not due to
23 other parties, if any, whose claims were denied during the
24 seven-day grace period; the base amount of each payment, taxes
25 and license fees paid, the amount of interest paid, and the date
26 of payment, shall be provided to the ADOI when all payments have
27 been made, but no later than 75 days after the filed date of
28 this Order.


1 5. Respondents have paid the pro-rata shares of
2 deductibles, based upon funds recovered from third-parties
3 totalling \$66.00, to the insureds of policy files A65671 and
4 C99314.

5 6. The Department shall be permitted, through authorized
6 representatives, to verify that Respondents have complied with
7 all provisions of this Order.

8 7. Respondents shall pay a civil penalty of \$10,000 to
9 the Director for deposit in the State General Fund in accordance
10 with A.R.S. § 20-220(B). This civil penalty shall be provided
11 to the Market Conduct Examinations Division of the ADOI on or
12 before June 3, 1996.

13 8. The Report of Examination of the Market Conduct
14 Affairs of Respondents as of September 8, 1995, including the
15 letter submitted in response by Respondents, shall be filed with
16 the Department after the Director has filed this Order.

17 DATED at Phoenix, Arizona this 19th day of June, 1996.

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19 Chris Herstam
20 Director of Insurance
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1 CONSENT TO ORDER

2 1. Respondents, Horace Mann Insurance Company and
3 Teachers Insurance Company, have reviewed the foregoing Order.

4 2. Respondents are aware of their right to a hearing, at
5 which hearing they may be represented by counsel, present
6 evidence and cross-examine witnesses. Respondents irrevocably
7 waive their right to demand a public hearing and to seek
8 judicial review of this consent order.

9 3. Respondents admit the jurisdiction of the Director of
10 Insurance, State of Arizona, and consents to the entry of this
11 Order.

12 4. Respondents state that no promise of any kind or
13 nature has been made to induce them to enter into this Consent
14 Order and that they have entered into this Consent Order
15 voluntarily.

16 5. Respondents acknowledge that the acceptance of this
17 Order by the Director of Insurance, State of Arizona, is solely
18 to settle this matter against them and does not preclude any
19 other agency or officer of the state or subdivision thereof from
20 instituting other civil or criminal proceedings as may be
21 appropriate now or in the future.

22 6. William J. Hinkle represents that,
23 as Vice-President, he is an officer of Respondents,
24 and is been authorized to enter into this Consent Order on
25 Respondents' behalf.

26 HORACE MANN INSURANCE COMPANY
27 TEACHERS INSURANCE COMPANY

28 5-30-96
Date

By: William J. Hinkle

1 COPY of the foregoing mailed/delivered
2 this 19th day of June , 1996, to:

3 Charles R. Cohen
4 Deputy Director
5 Gregory Y. Harris
6 Executive Assistant Director
7 Lewis D. Kowal
8 Chief Administrative Law Judge
9 Erin H. Klug
10 Chief Market Conduct Examiner
11 Saul R. Saulson
12 Examinations Supervisor
13 Market Conduct Examinations Division
14 Mary Butterfield
15 Assistant Director
16 Life & Health Division
17 Deloris E. Williamson
18 Assistant Director
19 Rates & Regulations Division
20 Gary Torticill
21 Assistant Director and Chief Financial Examiner
22 Corporate & Financial Affairs Division
23 Cathy O'Neil
24 Assistant Director
25 Consumer Services Division
26 John Gagne
27 Assistant Director
28 Investigations Division
John King
Fraud Unit Chief
Dean Ehler
Supervisor
Property and Casualty Section
Maureen Catalioto
Supervisor
Licensing Section

DEPARTMENT OF INSURANCE
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Mary Jo Egizii
Assistant Vice President and Assistant General Counsel
The Horace Mann Companies
One Horace Mann Plaza
Springfield, Illinois 62715-0001

Carey W. Butler